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RUCPDO/DEPT OF COMMERCE WASHDC IMMEDIATE
RHMFIUU/DEPT OF ENERGY WASHINGTON DC IMMEDIATE
RUEATRS/DEPT OF TREASURY WASHINGTON DC IMMEDIATE
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UNCLAS SECTION 01 OF 02 BEIJING 002441

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E.O. 12958: N/A
TAGS: [ETRD](#) [EFIN](#) [ECON](#) [PREL](#) [WTRO](#) [CH](#)
SUBJECT: AMBASSADOR MEETS MOFCOM CHEN TO DISCUSS TIRES

REF: A. BEIJING 2299
[1](#)B. STATE 85673
[1](#)C. BEIJING 2439

[1](#)1. (SBU): SUMMARY: During his August 22 meeting with Ambassador Huntsman, Minister of Commerce Chen Deming expressed concern about the possible use by the United States of the special safeguard protection measures against imports of Chinese-produced passenger car tires. Chen said that if the USG "employed" the safeguard, it would open the door to the rest of the world doing the same. Many other countries, Chen continued, had previously thought to use special safeguards against China, but had not. This case was not really about bilateral trade or the protection of domestic Chinese workers or companies. Rather it was about the devastating effect it could have on global trade. Although leaders of both nations were facing numerous political pressures, they must, Chen emphasized, honor promises made at the G20 summit in London to avoid implementing any protectionist measures before the end of 2010. Ambassador Huntsman said that President Obama had given him specific instructions to maintain a "positive, collaborative and comprehensive" relationship with China. He promised to pass Chen's concerns on to Washington, and noted that both countries needed to avoid protectionist measures that could thwart economic recovery. Further, the Ambassador noted that the U.S. and China must anticipate problems and work hard to resolve them together. Economic recovery and growth in Asia and the world depended on our ability to avoid trade wars and friction. END SUMMARY.

PREVIOUSLY RAISED CONCERNS REPEATED

[1](#)2. (SBU) In addition to the central worry of inciting an avalanche of discriminatory measures against China, Chen restated several points that we have heard in recent days:

- No U.S. administration has ever used a special safeguard protection measure against China;
- The special safeguard protection itself is an ambiguous tool followed closely by Chinese media and "netizens" who might react with considerable displeasure to being hit by the "trade atomic bomb";
- Losses to the United States resulting from such a measure would far exceed the gains to the U.S. tire workers;
- U.S. tire producers did not necessarily support the measure;

- U.S. soybean exports were vulnerable to Chinese anti-dumping measures as measured by rapid increases in volume and price;
- China had honored the consensus reached by the G20 in London not to employ trade protectionist measures before the end of 2010, and;
- the U.S. is not ready to negotiate further due to the lack of the deputies at both the Department of Commerce and USTR, as well as the lack of a U.S. ambassador to the WTO in Geneva.

A LITTLE CONTEXT PLEASE

13. (SBU) Chen went on to claim that he understood the political pressures U.S. leaders faced at home. Just the day before, Chairman of the House Foreign Relations Committee Howard Berman had warned Chen that protectionist sentiment there is stronger than ever because of the economic slowdown and unemployment. Moreover, as he addresses health care reform, President Obama "depends on the contentment of the Congress," that, in turn, faced mid-term elections later next year. Given this context, Chen said that his government would refrain from making any unreasonable requests, but would ask the Administration to consider the strategic relationship between the U.S. and China in order to avoid a bilateral trade war.

14. (SBU) Chen claimed that MOFCOM had received numerous petitions from various Chinese industries seeking protectionist measures against U.S. imports. The auto industry was asking for protection because of U.S. subsidies

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to exporters of cars to China. The Chinese chicken industry was discontented because the United States not only banned imports of Chinese chicken, but then went ahead and exported chicken to China. Finally, Chinese industry was complaining about U.S. imports of integrated circuits and aircraft.

END ON A POSITIVE NOTE?

15. (SBU) Chen concluded the meeting with a discussion of U.S.-Chinese cooperation to advance trade talks at the Doha Round. He pointed out that many countries are trying to force the United States to clarify its positions. Although he was confident the U.S. economy will see significant recovery by the end of this year, China believed the U.S. needed more time for economic recovery.

16. (SBU) Separately, the Ambassador noted that President Obama would be in China soon and would discuss the importance of bilateral relationship and the need to avoid harmful confrontation.

HUNTSMAN